



BEFORE THE ARIZONA CORPORATION COMMISSION

TOM FORESE  
Chairman  
BOB BURNS  
Commissioner  
ANDY TOBIN  
Commissioner  
BOYD DUNN  
Commissioner  
JUSTIN OLSON  
Commissioner

Arizona Corporation Commission

DOCKETED

JAN 3 2018

DOCKETED BY

*MB*

IN THE MATTER OF THE APPLICATION  
OF TUCSON ELECTRIC POWER  
COMPANY FOR APPROVAL OF ITS 2016  
RENEWABLE ENERGY STANDARD AND  
TARIFF IMPLEMENTATION PLAN.

DOCKET NO. E-01933A-15-0239

DOCKET NO. E-01933A-15-0322

DECISION NO. 76533

ORDER

IN THE MATTER OF THE APPLICATION  
OF TUCSON ELECTRIC POWER  
COMPANY FOR THE ESTABLISHMENT  
OF JUST AND REASONABLE RATES AND  
CHARGES DESIGNED TO REALIZE A  
REASONABLE RATE OF RETURN ON  
THE FAIR VALUE OF THE PROPERTIES  
OF TUCSON ELECTRIC POWER  
COMPANY DEVOTED TO ITS  
OPERATIONS THROUGHOUT THE  
STATE OF ARIZONA AND FOR  
RELATED APPROVALS.

**PROPOSED TRANSITION PLAN FOR  
COMMERCIAL CUSTOMERS  
MOVING TO MEDIUM GENERAL  
SERVICE OR LARGE GENERAL  
SERVICE RATE PLANS**

Open Meeting  
December 18, 2017  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Tucson Electric Power Company ("TEP" or "Company") is certificated to provide electric service as a public service corporation in the State of Arizona.

**BACKGROUND**

2. On May 25, 2017, TEP filed a "Transition Plan for Commercial Customers Moving to Medium General Service or Large General Service Rate Plans" ("Transition Plan") in compliance with

1 Decision No. 75975 issued by the Arizona Corporation Commission (“Commission”) on February 24,  
2 2017. On November 9, 2017, TEP filed a revised Transition Plan.

3 3. Decision No. 75975, among other things, authorized TEP to implement a new customer  
4 class, Medium General Service (“MGS”). Decision No. 75975 required that TEP file for Staff review  
5 and Commission approval, a transition plan detailing the process for transitioning existing Small General  
6 Service (“SGS”) customers whose increased consumption requires their migration to the MGS or Large  
7 General Service (“LGS”) rate class. Further, Decision No. 75975 required that TEP’s Transition Plan  
8 outline how the Company will communicate with customers, what demand information will be available  
9 to customers, how information will be accessed by customers, and a description of any training or  
10 education modules that will be available to existing customers.

11 4. TEP seeks Commission approval of the process proposed in its Transition Plan for  
12 moving SGS customers to its MGS or LGS rate class. TEP states that SGS customers whose volumetric  
13 energy usage requires migration to the MGS or LGS rate class will be moved to a two-part standard MGS  
14 Transition rate plan or two-part Time-of-Use (“TOU”) MGS Transition rate plan for a period of 12  
15 months (“12 month transition period”) following a Commission Decision on the proposed Transition  
16 Plan. TEP’s MGS Transition rate plan will include traditional two-part rates, Basic Service Charge  
17 (“BSC”) and a volumetric energy charge.

18 5. Customers that migrate to two-part MGS Transition rate plans will be provided the  
19 opportunity of transitioning immediately to three-part MGS or LGS rate plans, including a BSC,  
20 volumetric energy charge, and a demand charge. Customers that do not elect to transition immediately  
21 to three-part rates will be moved to three-part MGS or LGS rate plans at the conclusion of the 12-month  
22 transition period.

23 6. TEP states that during the 12-month transition period customers on MGS Transition  
24 rate plans will be provided with historical and current energy usage and demand data, as well as education  
25 on strategies in managing energy usage and demand loads in order to prepare them for three-part MGS  
26 or LGS rates.

27 ...

28 ...

**TEP'S TRANSITION PLAN**

7. TEP's Transition Plan strives to educate SGS customers about the new MGS rate class and changes to the existing SGS and LGS rate classes. In Decision No. 75975, the Commission approved changes to the SGS rate class which require that commercial customers with usage of 24,000 kilowatt-hours ("kWh") or above in two consecutive billing periods or 40 kW of demand twice in a rolling 12-month billing period be transitioned to either the MGS or LGS rate class.

8. Formerly, commercial customers with monthly usage between 200 kWh to 1 million kWh received service under TEP's SGS rate class which consisted of traditional "two-part" rates, a BSC and a volumetric energy charge. Recently, the Commission approved a new optional "three-part" rate plan for the SGS rate class which includes traditional two-part rates and a demand charge. Because customers transitioning to the MGS or LGS rate class are likely to migrate from SGS rate plans, TEP has proposed various sources of communication efforts in its Transition Plan that have and will continue to be pursued in order to educate and prepare SGS customers for MGS or LGS three-part rates.

9. In its Transition Plan, TEP details multiple means of customer outreach for SGS customers moving to MGS or LGS rate classes, which includes but is not limited to, traditional mail, bill inserts, website content, mobile application, and its Customer Care Department personnel. TEP states that it pursued similar outreach in a recent educational campaign held for its Residential and SGS rate classes when new TOU and Demand rate plan options became available to these rate classes. TEP believes that the efforts proposed in its Transition Plan will be effective in providing SGS customers with a better understanding of electric demand and present them with opportunities that will allow them to reduce their bills by spreading out their overall energy usage over longer intervals.

**CUSTOMER COMMUNICATION**Traditional Mail

10. TEP's Transition Plan describes various notifications that have been sent to SGS customers to date to inform them of the new MGS rate class and changes to the SGS and LGS rate classes. The proposed Transition Plan details letters sent to SGS customers that met any of the following criteria: usage exceeded 24,000 kWh during the preceding 12-month period, usage exceeding 24,000 kWh in a single billing period, or usage exceeding 24,000 kWh in two consecutive billing periods.

11. TEP states that following Commission Decision No. 75975, the Company sent an Initial Letter to approximately 4,000 SGS customers whose usage during the preceding 12-month period exceeded 24,000 kWh in two consecutive billing periods. The Initial Letter informed these customers that based on their historical energy usage, their accounts may be required to move to the new MGS Transition rate plan. Further, the Initial Letter provided an explanation of the elements included in the MGS transition rates (MGS Transition BCS charge and kWh rates vs. SGS BSC and kWh rates) and information related to updated rates (lower kWh charges and a demand charge) that TEP anticipated to go into effect in mid-2018. The initial letter referred SGS customers to TEP's website and Customer Care Department for additional information or questions.

12. Per TEP, since its Initial Letter the Company has sent Notification Letters to SGS customers whose usage exceeds 24,000 kWh in a single billing period. The Notification Letter advises SGS customers that their accounts will be moved to the MGS Transition rate plan if their energy usage exceeds 24,000 kWh in two consecutive billing periods. Further, the Notification Letter directs SGS customers to TEP's website and Customer Care Department for additional information or questions.

13. In addition, TEP states that Final Letters are sent to SGS customers whose usage exceeds 24,000 kWh in two consecutive billing periods. The Final Letter informs SGS customers that their account will be moved to the MGS Transition rate plan in the following billing cycle and directs customers to TEP's website and Customer Care Department for additional information or questions.

14. At the conclusion of the 12-month Transition Period, TEP states that the Company will send letters to customers on the MGS Transition rate plan to inform them of upcoming changes or migration to final MGS or LGS rates. This letter will educate customers about the demand component applicable to the MGS or LGS three-part rate plan that they will be served under. Additionally, this letter will refer customers to sources of information available on TEP's website, mobile application and Customer Care Department for additional questions or concerns.

Bill Inserts

15. In addition to the above letters, TEP references a series of bill inserts that have been sent to SGS customers to inform them of new rate plan options. TEP states that although these bill inserts are not specific to the MGS Transition rate plan, the bill inserts were designed to educate SGS

1 customers on TOU and TOU Demand rates. Below is a summarized list of bill inserts that have been  
2 referenced in the proposed Transition Plan:

- 3       •       “3 Ways to Save”: This insert advised SGS customers about how TEP's newly approved  
4               pricing plans provided new savings opportunities. For example, customers were advised  
5               that they could reduce their electric demand by avoiding the simultaneous use of large  
6               appliances. “Use a programmable thermostat and timers to space out the use of these  
7               appliances,” the insert states.
- 8       •       “Shift your Usage and Save”: This insert provided information about the Company's  
9               newly approved SGS TOU and SGS Demand TOU pricing plans. Customers were  
10              advised about ways to shift usage to off-peak time periods. "On a time-of-use plan, you  
11              can do more than just lower your energy costs," the insert states. "You also help reduce  
12              the peak demand on TEP's system and contribute to a more sustainable energy future  
13              for everyone.”
- 14      •       “Level out your Load and Save”: This insert focused on educating customers about  
15              electric demand, a component in two new SGS pricing plans. In addition to providing  
16              advice for reducing demand, the insert addresses the larger purpose of demand charges:  
17              "TEP's service costs are driven by the need to satisfy customers' highest demand for  
18              energy," the insert states. "When that maximum usage level goes down, so does the cost  
19              of providing everyone with safe, reliable service."

#### 20 Website and Mobile Application

21       16.     In addition to the above, TEP states that it has updated its website and mobile  
22     application to include educational information regarding TOU and TOU demand rate plans. TEP states  
23     that the information on its website was designed to not only educate SGS customers on TOU and  
24     demand loads, but was also designed to educate customers on the impact that high demand can have  
25     on customer bills. TEP's Transition Plan includes plans for similar webpages specific to MGS and LGS  
26     rate plans to be developed and posted to the Company's website. In addition to the educational  
27     information described herein, TEP's website and mobile application further offers energy-saving tips,  
28     access to monthly, daily, and hourly energy usage and demand data and details about current weather

1 conditions that may contribute to energy usage and demand loads. Access to such information will  
2 assist customers on MGS Transition rate plans to familiarize themselves on energy usage patterns and  
3 allow them to evaluate energy saving measures that may be taken to reduce their overall usage and  
4 demand loads.

5 17. TEP states that it will analyze MGS Transition rate customer bills on a regular basis and  
6 conduct additional outreach if necessary to ensure that customers are aware of potential bill impacts,  
7 tools that may be utilized to remain informed of current energy usage and demand data, and promote  
8 energy efficiency programs that may assist in effectively managing energy usage and demand loads.

9 18. In accordance with Decision No. 75975, TEP's Transition Plan allows for distributed  
10 generation ("DG") customers whose usage requires their migration to MGS Transition rate plan to be  
11 grandfathered on MGS Transition rates. Those customers who submit an application for DG  
12 interconnection after the effective date of the Commission's decision in Phase II of TEP's rate case  
13 proceeding will be subject to applicable rate plans available at the time that their request is received.

#### 14 **RECOMMENDATIONS**

15 19. Staff supports TEP's proposed Transition Plan including the 12-month transition period  
16 for commercial customers migrating to TEP's MGS or LGS rate class.

17 20. Staff has recommended approval of TEP's proposed Transition Plan.

18 21. Staff has further recommended that TEP file with Docket Control, as a compliance item,  
19 in this matter, notice of the date in which the 12-month transition period is implemented for the MGS  
20 Transition rate plan.

#### 21 CONCLUSIONS OF LAW

22 1. Tucson Electric Power Company is an Arizona public service corporation within the  
23 meaning of Article XV, Section 2 of the Arizona Constitution.

24 2. The Commission has jurisdiction over Tucson Electric Power Company and over the  
25 subject matter of the application.

26 3. The Commission, having reviewed the application and Staff's memorandum dated  
27 December 7, 2017, concludes that it is in the public interest to approve Tucson Electric Power  
28



Company's Transition Plan for Commercial Customers Moving to Medium General Service or Large General Service Rate Plans.

ORDER

IT IS THEREFORE ORDERED that Tucson Electric Power Company's Transition Plan for Commercial Customers Moving to Medium General Service or Large General Service Rate Plans is hereby approved as discussed herein.

IT IS FURTHER ORDERED that Tucson Electric Power Company file with Docket Control, as a compliance item, notice of the date that the 12-month transition period is implemented for Medium General Service and Large General Service Rate Plans.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

**BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

  
CHAIRMAN FORESE

  
COMMISSIONER DUNN

  
COMMISSIONER TOBIN

  
COMMISSIONER OLSON

  
COMMISSIONER BURNS



IN WITNESS WHEREOF, I, TED VOGT, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 3rd day of January, 2018.

  
TED VOGT  
EXECUTIVE DIRECTOR

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

EOA:GNO:nr/RRM

Tucson Electric Power Company  
Docket No. E-01933A-15-0239 and E-01933A-15-0322

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